

CITY OF GLENWOOD
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 13-14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 15-16
Notes to Financial Statements	17-28
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) –	
All Governmental Funds	30
Notes to Required Supplementary Information – Budgetary Reporting	31
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 33
Combining Schedule of Cash Receipts, Disbursements and	
Changes in Cash Balances – Capital Projects Fund	2 34-35
Schedule of Indebtedness	3 36-37
Bond and Note Maturities	4 38-39
Schedule of Receipts by Source and Disbursements by Function –	
All Governmental Funds	5 40-41
Independent Auditors' Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Schedule of Findings	45-47

City of Glenwood

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kim Clark	Mayor	January 2012
Kay LeFever	Council Member	January 2012
Allan Christiansen	Council Member	January 2012
Craig Florian	Council Member	January 2012
Susan Hirshman	Council Member	January 2014
Clare Bangs	Council Member	January 2014
Brian Kissel	Director of Finance	Indefinite
Judith L. Groves	City Clerk	Indefinite
Matt Woods	Attorney	January 2012
Barbara Taenzler	Library Trustee	June 2013
Thomas Nutting	Library Trustee	June 2014
Martha Cheyney	Library Trustee	June 2014
Kristel Mayberry	Library Trustee	June 2017
Gary Johnson	Library Trustee	June 2017
Lyle Mayberry	Park Board Chairman	January 2012
Ernie North	Park Commissioner	January 2012
Tim O'Connor	Park Commissioner	January 2013
David Hughes	Park Commissioner	January 2014
Cathy Zanker-Aspedon	Park Commissioner	January 2014
Carol Dean	Amphitheater Board Member	Indefinite
Pete Jacobus	Amphitheater Board Member	Indefinite
William Rowe	Amphitheater Board Member	Indefinite
Jeff Mitts	Amphitheater Board Member	Indefinite
Carol Mitts	Amphitheater Board Member	Indefinite
Ross Garrett	Cemetery Board Chairman	March 2014
Hugh Trask	Cemetery Board Member	March 2014
Don Burwell	Cemetery Board Member	March 2014

City of Glenwood



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

October 21, 2011

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Glenwood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Glenwood as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 on our consideration of the City of Glenwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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City of Glenwood
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Glenwood's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Glenwood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities decreased approximately \$478,000 from fiscal year 2010 to 2011. Capital grants decreased approximately \$551,000 from the prior year.
- Disbursements of the City's governmental activities decreased approximately \$434,000 from fiscal year 2010 to fiscal year 2011. Capital projects decreased approximately \$663,000 from the prior year.
- The City's total cash basis net assets decreased approximately \$56,000 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- The component unit includes activities of the Glenwood Municipal Utilities Board. The City is financially accountable for the utilities although it is legally separate from the City.

Fund Financial Statements

The City's Governmental Funds Only:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$2,808,154 to \$2,751,519. The analysis that follows focuses on the changes in cash balances for governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 158	161
Operating grants, contributions and restricted interest	789	803
Capital grants, contributions and restricted interest	22	573
General receipts:		
Property tax	1,791	1,791
Tax increment financing	318	238
Local option sales tax	295	283
Grants and contributions not restricted to specific purpose	9	6
Unrestricted interest on investments	10	14
Other general receipts	3	4
Total receipts	<u>3,395</u>	<u>3,873</u>
Disbursements:		
Public safety	1,016	960
Public works	703	655
Culture and recreation	540	514
Community and economic development	403	291
General government	324	313
Debt service	386	410
Capital projects	79	742
Total disbursements	<u>3,451</u>	<u>3,885</u>
Change in cash basis net assets	(56)	(12)
Cash basis net assets beginning of year	<u>2,808</u>	<u>2,820</u>
Cash basis net assets end of year	<u>\$ 2,752</u>	<u>2,808</u>

Total governmental activities receipts for the fiscal year were approximately \$3,395,000 compared to \$3,873,000 last year. This decrease was due to federal grant funds received the prior year for the Hazel Street bridge project.

The cost of all governmental activities this year was approximately \$3,451,000 compared to \$3,885,000 last year. This decrease was due primarily to the construction costs paid for the Hazel Street bridge the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Glenwood completed the year, its total governmental funds reported a combined fund balance of \$2,751,519, a decrease of \$56,635 from last year's balance of \$2,808,154. The following are the changes in the fund balances of the major funds from the prior year:

The General Fund cash balance decreased \$31,545 to 604,126.

The Special Revenue, Road Use Tax Fund cash balance decreased \$89,081 to \$189,148. The decrease is due to transfers to the capital projects fund.

The Special Revenue, Employee Benefits Fund cash balance decreased \$3,056 to \$352,635.

The Special Revenue, Tax Increment Financing Fund cash balance decreased \$31,863 to \$64,103.

The Debt Service Fund increased \$14,543 to \$37,759.

The Capital Projects Fund increased \$88,309 to \$1,120,534 due to the transfer from the Special Revenue, Road Use Tax Fund.

The Permanent Fund, Amphitheater Trust increased \$2,511 to \$304,509.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved June 14, 2011, and resulted in an increase in disbursements of \$65,835. The increase was for additional costs for public works.

The City's receipts were \$483,610 less than budgeted. This was due to the City receiving less in grant funds than budgeted.

With the amendment, total disbursements were \$763,361 less than budgeted. The actual disbursement for capital projects and culture and recreation were approximately \$600,000 less than budgeted.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$2,548,592 in general obligation debt outstanding, compared to \$2,823,810 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30, 2011	2010
General obligation notes	\$ 2,548	2,824

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is within its constitutional debt limit of approximately \$12 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Glenwood's elected and appointed officials and citizens consider many factors when setting the budget, tax rates, and fees that will be charged for various City activities. General fund disbursements are reduced as revenues reduce, since the City can not levy over the 8.10 maximum levy on taxable valuations. This does not allow for any increases for inflation.

The increase in insurance costs was a major concern in preparing the budget for fiscal year ended June 30, 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Kissel, Director of Finance, 107 S. Locust, Glenwood, Iowa 51534.

City of Glenwood
Basic Financial Statements

City of Glenwood
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

	Disbursements	Charges for Service	Program Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 1,016,920	12,714	68,872
Public works	703,559	63,327	521,858
Culture and recreation	540,160	70,627	175,649
Community and economic development	403,035	10,850	2,500
General government	323,585	573	20,031
Debt service	386,496	-	-
Capital projects	79,238	-	-
Total governmental activities	<u>3,452,993</u>	<u>158,091</u>	<u>788,910</u>
Total Primary Government	<u>\$ 3,452,993</u>	<u>158,091</u>	<u>788,910</u>
 Component Unit:			
Glenwood Municipal Utilities	<u>\$ 2,493,378</u>	<u>1,939,405</u>	<u>-</u>

General Receipts:

Property tax levied for:
 General purposes
 Employee benefits
 Debt service
Tax increment financing
Local option sales tax
Grants and contributions not restricted
to specific purpose
Unrestricted interest on investments
Miscellaneous
Sale of assets
 Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

 Cemetery perpetual care
 Amphitheater endowment

Expendable:

 Streets
 Employee benefits
 Urban renewal purposes
 LOST debt service
 Debt service
 Capital projects
 Amphitheater
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets	
	Primary Government Governmental Activities	Component Unit Glenwood Municipal Utilities
Capital Contributions and Restricted Interest		
-	(935,334)	-
-	(118,374)	-
-	(293,884)	-
-	(389,685)	-
-	(302,981)	-
-	(386,496)	-
21,503	(57,735)	-
21,503	(2,484,489)	-
21,503	(2,484,489)	-
-	-	(553,973)
\$	1,166,319	-
	513,141	-
	111,993	-
	318,478	-
	295,535	-
	9,306	15,391
	10,082	4,616
	-	16,693
	3,000	-
	2,427,854	36,700
	(56,635)	(517,273)
	2,808,154	2,389,188
\$	2,751,519	1,871,915
\$	61,639	-
	299,906	-
	189,148	-
	352,635	-
	64,103	-
	3,142	-
	37,759	-
	1,077,755	-
	4,603	-
	13,924	132,511
	646,905	1,739,404
\$	2,751,519	1,871,915

City of Glenwood
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2011

	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment
Receipts				
Property tax	\$ 1,119,408	-	502,917	-
Tax increment financing collections	-	-	-	318,478
Other city tax	48,911	-	10,224	-
Licenses and permits	11,125	-	-	-
Use of money and property	24,017	-	-	-
Intergovernmental	92,896	516,990	-	-
Charges for service	108,644	-	-	-
Special assessments	-	7,930	-	-
Miscellaneous	97,749	-	9,992	-
Total receipts	1,502,750	524,920	523,133	318,478
Disbursements				
Operating:				
Public safety	790,003	-	225,777	-
Public works	331,960	252,883	114,215	-
Culture and recreation	393,650	-	119,037	-
Community and economic development	38,027	-	14,667	350,341
General government	271,092	-	52,493	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,824,732	252,883	526,189	350,341
Excess (deficiency) of receipts over (under) disbursements	(321,982)	272,037	(3,056)	(31,863)
Other financing sources (uses):				
Sale of capital assets	3,000	-	-	-
Operating transfers in	291,616	-	-	-
Operating transfers out	(4,179)	(361,118)	-	-
Total other financing sources (uses)	290,437	(361,118)	-	-
Net change in cash balances	(31,545)	(89,081)	(3,056)	(31,863)
Cash balances beginning of year, as restated	635,671	278,229	355,691	95,966
Cash balances end of year	\$ 604,126	189,148	352,635	64,103
Cash Basis Fund Balances				
Nonspendable:	\$			
Cemetery perpetual care	-	-	-	-
Amphitheater endowment	-	-	-	-
Restricted for:				
Streets	-	189,148	-	-
Employee benefits	-	-	352,635	-
Urban renewal purposes	-	-	-	64,103
LOST debt service	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Amphitheater	-	-	-	-
Other purposes	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	604,126	-	-	-
Total cash basis fund balances	\$ 604,126	189,148	352,635	64,103

See notes to financial statements

Exhibit B

Local Option Sales Tax	Debt Service	Capital Projects	Permanent Amphitheater Trust	Other Nonmajor Governmental Funds	Total
-	109,916	-	-	-	1,732,241
-	-	-	-	-	318,478
295,535	2,077	5,626	-	-	362,373
-	-	-	-	-	11,125
-	-	6,899	2,521	-	33,437
66,517	-	8,978	-	-	685,381
-	-	-	-	740	109,384
-	-	-	-	-	7,930
-	-	-	-	25,268	133,009
362,052	111,993	21,503	2,521	26,008	3,393,358
-	-	-	-	1,140	1,016,920
-	-	4,501	-	-	703,559
-	-	-	10	27,463	540,160
-	-	-	-	-	403,035
-	-	-	-	-	323,585
-	386,496	-	-	-	386,496
-	-	79,238	-	-	79,238
-	386,496	83,739	10	28,603	3,452,993
362,052	(274,503)	(62,236)	2,511	(2,595)	(59,635)
-	-	-	-	-	3,000
-	289,046	150,545	-	-	731,207
(365,910)	-	-	-	-	(731,207)
(365,910)	289,046	150,545	-	-	3,000
(3,858)	14,543	88,309	2,511	(2,595)	(56,635)
7,000	23,216	1,032,225	301,998	78,158	2,808,154
3,142	37,759	1,120,534	304,509	75,563	2,751,519
-	-	-	-	61,639	61,639
-	-	-	299,906	-	299,906
-	-	-	-	-	189,148
-	-	-	-	-	352,635
-	-	-	-	-	64,103
3,142	-	-	-	-	3,142
-	37,759	-	-	-	37,759
-	-	1,077,755	-	-	1,077,755
-	-	-	4,603	-	4,603
-	-	-	-	13,924	13,924
-	-	42,779	-	-	42,779
-	-	-	-	-	604,126
3,142	37,759	1,120,534	304,509	75,563	2,751,519

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies

The City of Glenwood is a political subdivision of the State of Iowa located in Mills County and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Glenwood has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Glenwood (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

Glenwood Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The officials of the Utilities are appointed by the City Council and the operating budget adoption process of the Utilities is subject to the approval of the City Council.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

A. Reporting Entity - Continued

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the Mills County Assessor's Conference Board, Mills County Emergency Management Commission, Mills County E911 Board, and Iowa Waste System Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities are supported by tax and intergovernmental revenues.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes levied to pay employee benefits.

The Urban Renewal Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for the community recreation center.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those financed through enterprise funds.

The Permanent Fund – Davies Amphitheater is used to report resources that are legally restricted to the extent that only earnings and not principal may be used to support the activities of the amphitheater.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting

The City of Glenwood maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the budgeted amounts.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies – Continued

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, at the Mills County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the City had the following investments:

Type	Carrying Value	Approximate Fair Value	Maturity
U.S. Treasury Note	\$ 100,000	\$ 100,000	October 2011
U.S. Treasury Note	50,000	50,000	January 2012
	<u>\$ 150,000</u>	<u>\$ 150,000</u>	

The City's cash and investments at June 30, 2011 totaled \$2,751,519.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the need and use of the City.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation debt are as follows:

Year Ended June 30,	General Obligation Bonds & Notes	
	Principal	Interest
2012	\$ 286,811	\$ 103,413
2013	291,781	91,498
2014	260,000	80,429
2015	180,000	69,828
2016	190,000	62,988
2017-2021	1,090,000	193,286
2022	250,000	10,626
Total	\$ 2,548,592	\$ 612,068

Interest paid on long term debt during the year totaled \$116,028.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. The principal and interest on general obligation sales tax bonds are to be paid from the local option sales tax funds collected.

The City has a general obligation debt limit of approximately \$12,000,000 which was not exceeded during the year ended June 30, 2011.

NOTE (4) Lease Agreement

The City leases copy machines under operating lease agreements. Rent expense for the year ended June 30, 2011 was \$1,644. The future required minimum lease payments are as follows:

Year ending June 30,	Amount
2012	\$ 1,644
2013	1,644
2014	685
	\$ 3,973

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$89,092, \$77,834, and \$74,800, respectively, equal to the required contributions for each year.

NOTE (6) Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. At June 30, 2011, there are 23 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. The City pays a portion of the premium for retirees, which results in an explicit subsidy and an OPEB liability. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$378 for single coverage and \$1,160 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City made an implicit contribution of approximately \$2,200 to the plan. The retired plan members eligible for benefits contributed \$4,399 to the plan.

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund is \$28,170. This liability is computed on rates of pay effective as of June 30, 2011.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (7) Compensated Absences - Continued

Sick leave is payable when used or for certain employees upon retirement. Employees retiring after 15 years of service may receive one-half of their unused accumulated sick leave based on the effective hourly rate for that employee. For each additional year of service, the employee shall receive 2% additional sick leave per year. There are two employees eligible for this termination benefit. The approximate liability at June 30, 2011 for sick leave conversion payable upon retirement to these employees is \$22,723. Termination benefits paid for the year ended June 30, 2011 totaled \$29,393.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Road Use Tax	\$ 291,616
Debt Service	Special Revenue: Local Option Sales Tax	289,046
Capital Projects:	General	4,179
	Special Revenue:	
	Road Use Tax	69,502
	Local Option Sales Tax	76,864
		<u>150,545</u>
		\$ <u>731,207</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (9) Risk Management – Continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$57,995.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (9) Risk Management – Continued

receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workmen's compensation insurance purchased from a commercial vendor. The City assumes liability for any deductions, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Construction Commitments

The City has the following contract commitment for a street construction project as of June 30, 2011:

	Estimated Contracted Amount	Paid to Date	Remaining Commitment
Construction contract	\$ 356,569	\$ -	\$ 356,569

NOTE (11) Commitments

YMCA Operating Agreement

The YMCA and the City of Glenwood have a joint operating agreement regarding a recreation facility for a period of 15 years. The YMCA is responsible for operation, maintenance, utilities and insurance of the facility. The City of Glenwood will contribute before July 15 of the following year \$50,000 each year for the first three years, up to \$50,000 each year for the next two years for operating deficits, and up to \$50,000 for each year for the next five years for operating deficits to the extent of one half of the excess revenue received by the City for local option sales tax. A full year is defined as January 1 through December 31 effective January 1, 2006. The City paid the YMCA \$12,765 in July 2010.

Recycling Agreement

The City has contracted for recycling services at \$1.25 per month per water customer through December 2012. The annual cost approximates \$35,000.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (12) Urban Renewal Development Agreements

The City has entered into agreements with developers to construct certain public improvements related to the development of Urban Renewal Areas. In exchange, the City has agreed to pay the developers for these costs, plus interest.

These agreements are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

Gotschall Agreement

The City has agreed to pay the developer a total of \$277,222 plus interest at 7% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2011. The City paid the developer \$95,101 during the year ended June 30, 2011.

Mintle Agreement

The City has agreed to pay the developer a total of \$400,000 plus interest at 7% per annum. Principal and interest are due December 1 and June 1, with final payment due June 2013. The City paid the developer \$67,920 during the year ended June 30, 2011.

Hughes Agreements

The City has agreed to pay the developer a total of \$369,669 plus interest at 5% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2016. The City paid the developer \$69,784 during the year ended June 30, 2011.

The City has agreed to pay the developer a total of \$890,000 plus interest at 7% per annum. Principal and interest payments are due December 1 and June 1, with final payment due June 2019. The City paid the developer \$85,084 during the year ended June 30, 2011.

Osterloh and New Century Building Company LLC Agreement

The City has agreed to pay the developer a total of \$245,000 plus interest at 7% per annum. Principal and interest are due December 1 and June 1, with final payment due June 2019. No payments were made to the developers during the year.

NOTE (13) Reciprocal Services with its Component Unit

The City and its component unit, Glenwood Municipal Utilities, have an arrangement in which the City provides office space to the Utilities at no cost and the Utilities provides water and sewer to all City owned and operated facilities at no cost. In addition, the Utilities invoice and collect for recycling fees and remit all monies received to the City.

City of Glenwood
Notes to Financial Statements
June 30, 2011

NOTE (14) Subsequent Event

In July 2011, the City signed a loan agreement for \$166,000 for the purchase of police equipment.

NOTE (15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue, Sidewalk	Capital Projects
Balances June 30, 2010, as previously reported	\$ 14,851	\$ 1,017,374
Change in fund type classification per implementation of GASB Statement No. 54	<u>(14,851)</u>	<u>14,851</u>
Balances July 1, 2011	\$ <u>-</u>	\$ <u>1,032,225</u>

Required Supplementary Information

City of Glenwood
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts				
Property tax	\$ 1,732,241	1,743,426	1,743,426	(11,185)
Tax increment financing collections	318,478	336,395	336,395	(17,917)
Other city tax	362,373	344,786	344,786	17,587
Licenses and permits	11,125	28,285	28,285	(17,160)
Use of money and property	33,437	58,778	58,778	(25,341)
Intergovernmental	685,381	968,363	990,363	(304,982)
Charges for service	109,384	113,510	113,510	(4,126)
Special assessments	7,930	3,000	3,000	4,930
Miscellaneous	133,009	258,425	258,425	(125,416)
Total receipts	3,393,358	3,854,968	3,876,968	(483,610)
Disbursements				
Public safety	1,016,920	1,023,511	1,023,511	6,591
Public works	703,559	736,926	802,761	99,202
Culture and recreation	540,160	810,004	810,004	269,844
Community and economic development	403,035	407,165	407,165	4,130
General government	323,585	344,282	344,282	20,697
Debt service	386,496	423,631	423,631	37,135
Capital projects	79,238	405,000	405,000	325,762
Total disbursements	3,452,993	4,150,519	4,216,354	763,361
Excess (deficiency) of receipts over (under) disbursements	(59,635)	(295,551)	(339,386)	279,751
Other financing sources, net	3,000	1,500	1,500	1,500
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(56,635)	(294,051)	(337,886)	281,251
Balances beginning of year	2,808,154	2,354,749	2,509,282	298,872
Balances end of year	\$ 2,751,519	2,215,231	2,171,396	580,123

See accompanying independent auditors' report.

City of Glenwood
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Permanent Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$65,835. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the final budgeted amounts.

Other Supplementary Information

City of Glenwood
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue		Permanent Cemetery Perpetual Care	Total
	Asset Forfeitures	Library Trust		
Receipts:				
Charges for services	\$ 740	-	-	740
Miscellaneous	-	21,818	3,450	25,268
Total receipts	740	21,818	3,450	26,008
Disbursements:				
Operating:				
Public safety	1,140	-	-	1,140
Culture and recreation	-	27,463	-	27,463
Total disbursements	1,140	27,463	-	28,603
Net change in cash balances	(400)	(5,645)	3,450	(2,595)
Cash balances beginning of year	617	19,352	58,189	78,158
Cash balances end of year	\$ 217	13,707	61,639	75,563
Cash Basis Fund Balances				
Nonspendable – Cemetery Perpetual Care	\$ -	-	61,639	61,639
Restricted for other purposes	217	13,707	-	13,924
Total cash basis fund balances	\$ 217	13,707	61,639	75,563

See accompanying independent auditors' report

City of Glenwood
Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Capital Projects Fund
As of and for the year ended June 30, 2011

	<u>Community Recreation Center</u>	<u>Pool</u>	<u>Hazel Street Bridge</u>	<u>Railroad Avenue</u>
Receipts:				
Other City tax	\$ -	1,626	-	-
Use of money and property	6,899	-	-	-
Intergovernmental	-	-	8,978	-
Total receipts	<u>6,899</u>	<u>1,626</u>	<u>8,978</u>	<u>-</u>
Disbursements:				
Public works	-	-	-	-
Capital projects	28,861	1,000	18,002	31,375
	<u>28,861</u>	<u>1,000</u>	<u>18,002</u>	<u>31,375</u>
Excess (deficiency) of receipts over (under) disbursements	(21,962)	626	(9,024)	(31,375)
Other financing sources:				
Operating transfers in	76,864	-	38,357	31,145
	<u>76,864</u>	<u>-</u>	<u>38,357</u>	<u>31,145</u>
Net change in cash balances	54,902	626	29,333	(230)
Cash balances beginning of year	<u>1,022,853</u>	<u>18,249</u>	<u>(29,333)</u>	<u>230</u>
Cash balances end of year	\$ <u>1,077,755</u>	<u>18,875</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted	\$ 1,077,755	-	-	-
Assigned	<u>-</u>	<u>18,875</u>	<u>-</u>	<u>-</u>
	\$ <u>1,077,755</u>	<u>18,875</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report

Schedule 2

<u>Sidewalk Fund</u>	<u>Park</u>	<u>Cemetery</u>	<u>Total</u>
-	2,000	2,000	5,626
-	-	-	6,899
-	-	-	8,978
-	2,000	2,000	21,503
4,501	-	-	4,501
-	-	-	79,238
4,501	-	-	83,739
(4,501)	2,000	2,000	(62,236)
-	2,000	2,179	150,545
-	-	2,179	150,545
(4,501)	4,000	4,179	88,309
14,851	3,000	2,375	1,032,225
10,350	7,000	6,554	1,120,534
-	-	-	1,077,755
10,350	7,000	6,554	42,779
10,350	7,000	6,554	1,120,534

City of Glenwood
Schedule of Indebtedness
Year ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
Building	Aug 1, 1997	10.00 %	\$ 144,000
Street improvement and refunding	Mar 1, 1999	4.10 - 4.60 %	995,000
Local Option Sales Tax	Jun 15, 2005	3.70 - 4.25 %	3,000,000
Fire equipment	Dec 23, 2009	2.50 %	104,998

See accompanying independent auditors' report

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 38,812	-	15,219	23,593	3,196	-
330,000	-	75,000	255,000	14,908	-
2,350,000	-	150,000	2,200,000	94,148	-
104,998	-	34,999	69,999	3,776	-
<u>\$ 2,823,810</u>	<u>-</u>	<u>275,218</u>	<u>2,548,592</u>	<u>116,028</u>	<u>-</u>

City of Glenwood
Bond and Note Maturities
June 30, 2011

Ending June 30,	General Obligation Bonds and					
	Building		Street Improvement and		Local Option Sales Tax	
	Issued Aug 12, 1997		Refunding Notes		Issued Jun 15, 2005	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	10.00 %	\$ 16,812	4.50 %	\$ 80,000	3.80 %	\$ 155,000
2013	10.00 %	6,781	4.55 %	85,000	3.80 %	165,000
2014	-	-	4.60 %	90,000	3.80 %	170,000
2015	-	-	-	-	3.80 %	180,000
2016	-	-	-	-	3.90 %	190,000
2017	-	-	-	-	4.00 %	200,000
2018	-	-	-	-	4.10 %	205,000
2019	-	-	-	-	4.15 %	215,000
2020	-	-	-	-	4.15 %	230,000
2021	-	-	-	-	4.20 %	240,000
2022	-	-	-	-	4.25 %	250,000
Total		\$ 23,593		\$ 255,000		\$ 2,200,000

See accompanying independent auditors' report

Notes

Fire Equipment		
Issued Dec 23, 2009		
Interest		
Rate	Amount	Total
2.50 %	\$ 34,999	\$ 286,811
2.50 %	35,000	291,781
-	-	260,000
-	-	180,000
-	-	190,000
-	-	200,000
-	-	205,000
-	-	215,000
-	-	230,000
-	-	240,000
-	-	250,000
	<u>\$ 69,999</u>	<u>\$ 2,548,592</u>

City of Glenwood
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Seven Years

	2011	2010	2009	2008
Receipts				
Property tax	\$ 1,732,241	1,733,925	1,626,372	1,566,544
Tax increment financing collections	318,478	237,888	201,662	100,298
Other city tax	362,373	340,493	356,355	340,142
Licenses and permits	11,125	12,069	19,422	27,393
Use of money and property	33,437	46,433	74,747	96,372
Intergovernmental	685,381	1,243,683	674,721	613,467
Charges for service	109,384	115,290	104,755	97,376
Special assessments	7,930	11,992	17,810	19,261
Miscellaneous	133,009	127,359	151,181	162,733
Total	<u>\$ 3,393,358</u>	<u>3,869,132</u>	<u>3,227,025</u>	<u>3,023,586</u>
Disbursements				
Operating:				
Public safety	\$ 1,016,920	960,371	928,436	922,336
Public works	703,559	655,840	671,310	574,713
Culture and recreation	540,160	513,682	536,323	535,284
Community and economic development	403,035	290,612	261,057	50,811
General government	323,585	313,107	292,127	317,811
Debt service	386,496	410,119	429,942	543,462
Capital projects	79,238	741,718	91,396	43,420
Total	<u>\$ 3,452,993</u>	<u>3,885,449</u>	<u>3,210,591</u>	<u>2,987,837</u>

See accompanying independent auditors' report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
1,675,606	1,526,033	1,374,290
90,708	79,780	102,612
347,326	306,223	287,214
62,214	32,613	4,000
85,453	76,937	35,445
606,625	1,909,060	682,825
95,072	101,220	142,360
47,397	23,923	25,676
<u>276,654</u>	<u>458,035</u>	<u>329,261</u>
<u>3,287,055</u>	<u>4,513,824</u>	<u>2,983,683</u>
970,456	823,700	788,864
603,563	567,186	633,840
478,962	477,647	438,921
49,411	59,025	55,226
295,781	297,993	316,465
465,912	424,435	223,664
<u>709,384</u>	<u>3,698,967</u>	<u>567,880</u>
<u>3,573,469</u>	<u>6,348,953</u>	<u>3,024,860</u>

City of Glenwood



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

October 21, 2011

Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Glenwood, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Glenwood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Glenwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Glenwood's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a material weakness.

City of Glenwood
Independent Auditors' Report on
Internal Control and Compliance

Compliance

As part of obtaining reasonable assurance about whether the City of Glenwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Glenwood's response to our finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit City of Glenwood's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Glenwood and other parties to whom the City of Glenwood may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Glenwood during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schraer & Associates, P.C.

City of Glenwood
Schedule of Findings
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

I-A-11 Financial Reporting

Comment – During the audit, we identified a material amount of receipts that were directly deposited into the bank but were not recorded in the books. We also noted some misclassifications of revenue receipts. Adjustments were subsequently made by the City to properly include and correct amounts in the financial statements.

Recommendation – Bank reconciliation errors should be identified and corrected on a monthly basis. Deposits that are made directly to the bank should be identified and reported in the City's books. Procedures should be established to ensure receipts are classified to the proper fund.

Response – We will double check this in the future as we do our bank reconciliations. Bank deposits will be reconciled with book deposits monthly. We will establish controls to review account coding of receipts.

Conclusion – Response accepted.

City of Glenwood
Schedule of Findings
June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget

Comment- Disbursements during the year ended June 30, 2011 did not exceed the amended budgeted amounts. However, the budget amendment was not adopted by May 31, as required by Chapter 24.9 of the Code of Iowa.

Recommendation – The budget should be amended on a timely basis.

Response – We will do this in the future.

Conclusion – Response accepted.

II-B-11 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions

No business transactions were noted between the City and City officials or employees.

II-E-11 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-11 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Glenwood
Schedule of Findings
June 30, 2011

Part II: Other Findings Related to Statutory Reporting Continued:

II-H-11 Revenue Note

The City has no revenue debt.

II-I-11 Credit Card Usage

Comment – The City has credit cards for used by City employees for City business. The City has not adopted a formal policy to regulate the use of credit cards.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We will do this.

Conclusion – Response accepted.